Letter of Transmittal

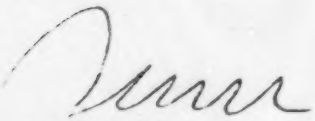
To the Minister Responsible for British Columbia Lottery Corporation

Dear Minister:

British Columbia Lottery Corporation (BCLC) is proud of its long-standing record of gaming integrity and effective management in serving the interests of its shareholder, the Government of British Columbia. Annual net income generated by BCLC is distributed to Government and returned through government programs for the benefit of all citizens of the province.

In fiscal 2001/02, total revenues reached $1.61 billion, resulting in net income of $606.1 million, of which $598.5 million was distributed to the Government of British Columbia and $7.6 million to the Government of Canada.

On behalf of BCLC, I have the pleasure to submit the Annual Report for fiscal year ended March 31, 2002.



T. Richard Turner
Chair, Board of Directors

Senior Executive

PRESIDENT AND CEO

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VICE-PRESIDENT

Rob Egan
Corporate Development and Information Technology

VICE-PRESIDENT

Jim Lighthody
Lottery Gaming

VICE-PRESIDENT

Brian Lynch
Casino Gaming

VICE-PRESIDENT

Doug Penrose
Finance and Corporate Services

Board Members

CHAIR

T. Richard Turner | **Appointed September 26, 2001**
President and CEO, International Aviation Terminals Inc.
Richmond

VICE-CHAIR

Arthur Willms | **Appointed September 26, 2001**
Corporate Director, Westcoast Energy Inc.
Vancouver

DIRECTORS

John Bell | **Appointed September 26, 2001**
President and Director, Sprucefield Management Inc.
Vancouver

Bruna Giacomazzi | **Appointed September 26, 2001**
Adviser to President, HSBC Bank Canada
Corporate Director, Vancouver International Airport Authority
Vancouver

Evaleen Jaager Roy | **Appointed September 26, 2001**
Vice-President Human Resources, Electronic Arts
Vancouver

Mary MacGregor | **Appointed September 26, 2001**
Lawyer, Mary MacGregor Law Corporation
Kamloops

D. Neil McDonnell | **Appointed April 23, 2002**
President and CEO, Intrinsyc Software Inc.
Vancouver

Donald Pettit | **Appointed September 26, 2001**
Director and Chair, Human Resource Committee, Via Rail
Director and Past President, Phoenix Food & Drug Group
Vancouver

Kathy Stevenson | **Appointed April 23, 2002**
Senior Vice-President Finance,
Thompson Interior Savings Credit Union
Kelowna

Chair's Message

Fiscal 2001/02 represented another year of challenge, change, opportunity and success for BCLC as it pursued its mission to provide high-quality gaming entertainment in a socially responsible manner for the benefit of all British Columbians.

Gaming in British Columbia is a matter of balance. BCLC contributes to the province's economic well-being by providing high-quality gaming entertainment to adults while remaining ever mindful that the benefits derived from gaming must be balanced with the social impacts on individuals and communities.

Gaming entertainment generates significant funds for economic development and social benefits for British Columbia. The net income that BCLC distributes to Government flows back to communities through programs for the public good, including health and education, general revenue, grants to charities, revenue-sharing disbursements to host local governments where casinos are located, and problem gambling education and treatment, to name a few.

BCLC is a well-managed corporation and continued its trend of financial success in fiscal 2001/02. Revenues from lottery, casino and bingo reached $1.61 billion. This resulted in net income of $606.1 million, of which $598.5 million was distributed to the Government of British Columbia and $7.6 million to the Government of Canada.

In addition to generating income for vital public services, the gaming industry has created thousands of direct and indirect employment opportunities in British Columbia, including those working at retail and hospitality locations selling lottery tickets, in casino and bingo gaming facilities and support services, and in related areas such as tourism and construction. As well, during the fiscal year BCLC directly employed about 620 staff members who were based in the corporate offices or as field staff throughout the province.

During fiscal 2001/02, Government restructured and redefined the gaming framework for British Columbia. In September, the five agencies responsible for gaming were consolidated into two. BCLC remained the operational agency to conduct and manage the business of gaming and the Gaming Policy and Enforcement Branch was formed as the regulatory agency, both reporting to the Minister of Public Safety and Solicitor General.

In January 2002, Government provided further direction in respect to gaming policy, and in March introduced a comprehensive Gaming Control Act intended to strengthen and streamline the management of gaming in British Columbia.

As part of BCLC's strategic plan, a comprehensive business review of the Corporation's mandate and operations was undertaken during the year. This review coincided with Government's Core Services Review for all ministries and Crown corporations. The review identified opportunities where BCLC could be even more effective and cost-efficient in the delivery of products and services to the marketplace.

BCLC developed its Business and Service Plan and in early March received implementation approval from the Board of Directors and Government. Initiatives identified through the plan and review are projected to result in significant operational savings and greater net income contributions toward vital public services.

Over the next fiscal year, the Corporation will continue to operate within the gaming policy framework established by Government and meet fiscal expectations by further developing its current lines of business, broadening its customer base and increasing the entertainment value of its products. The Corporation will apply rigour and discipline to its business initiatives and remain poised to take on new challenges and opportunities all within Government gaming policy.

The Corporation upholds the highest standards in its responsibilities to conduct and manage gaming in British Columbia and balances social considerations through active participation in responsible gambling education, awareness and research programs and by supporting problem gambling treatment programs and services. By sharing responsibility among BCLC, its service providers, Government, community agencies and those adults who choose to participate in gaming activities, we will continue to ensure a healthy, balanced gaming industry in British Columbia.

T. Richard Turner
Chair, Board of Directors

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2001/02

After more than 25 years of operations, BCLC continues to generate significant economic benefits for British Columbia by providing high-quality gaming entertainment in a socially responsible manner to its customers and by supporting communities throughout the province.

In this fiscal year, through the hard work and dedication of our employees and business partners, the Corporation is proud to have generated $606.1 million in net income for Government to support vital public service programs for health, social, charitable and municipal purposes. Government appointed a new Board of Directors in September, and we thank both past and current directors for their leadership.

Lottery and bingo players had another year of winning experiences, collecting nearly 72 million prizes totalling $575 million. The nature of casinos had players collecting their winnings as they participated in slot machine and table gaming entertainment.

Gaming creates thousands of direct and indirect job opportunities where lottery products are sold, at casino and bingo locations, and through support and service to the industry. Lottery retailers achieve earnings through sales commissions and incentive programs, and casino and bingo service providers receive service fees based on a sales formula. Commissions and service fees earned by our private sector partners during the fiscal year totalled $273 million.

We are equally proud of our contributions to communities throughout British Columbia, both in providing economic benefits through gaming and community event support. Festivals, celebrations, fairs, arts and culture, charity and sporting events, along with their forces of dedicated volunteers, contribute to the vitality of a community. As a corporate citizen, BCLC showed our community spirit by providing financial contributions, resources and on-site involvement to a host of activities.

Our travelling Community Stage program visited some 20 communities over the summer season, adding profile and staging expertise to locally organized events. BCLC is a founding supporter of the bid team to bring the 2010 Winter Games to Vancouver and Whistler, and at Community Stage events we invited people to sign bid books to indicate their support for this exciting provincial initiative.

We joined the team of sponsors of HSBC PowerSmart Celebration of Light and presented the Symphony in the Park free concert featuring the Vancouver Symphony Orchestra.

From a financial standpoint, fiscal 2001/02 continued a

trend of managed growth and financial success for the Corporation. Revenues from lottery, casino and bingo operations reached $1.61 billion, an overall increase of $124.4 million or 8.4% over the previous fiscal year. This resulted in total net income of $606.1 million being generated for Government purposes.

All three lines of business – lottery, casino and bingo – contributed to the overall successful financial results. Lottery sales totalled $962.7 million, an increase of $25.7 million over the previous fiscal year, mainly due to game enhancements and the continued development and refinement of the lottery retail network.

Casino revenues totalled $552.4 million, an increase of $60.1 million over the previous fiscal year, attributed to the opening of two relocated community casinos to "flagship" full-service casino facilities in Coquitlam and View Royal, and by the introduction of a greater variety of new slot machine games. During the fiscal year, slightly over 10 million adults visited one of the 18 community and destination casinos in British Columbia to participate in casino gaming.

In bingo, significant changes were made by Government during the year that resulted in the Corporation assuming greater management responsibilities for commercial bingo halls in the province. As a result, bingo sales revenues for the year totalled $92.3 million, including electronic and linked bingo revenues for the entire fiscal year and paper bingo sales for about three months of the year.

Under the new bingo management model, the Corporation will work closely and co-operatively with the many charitable organizations that will continue to be involved in the

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bingo industry and that will continue to be the beneficiaries of bingo revenues generated within their communities.

While the ability to take on new opportunities and responsibilities is second nature to our dynamic organization, business improvement initiatives identified in our strategic plan and Core Services Review served as the catalyst for fundamental changes to our business operations.

As part of our Core Services Review, we used best practice research to benchmark the organization against industry-leading companies and gaming organizations. Over a five-month period, project teams completed a comprehensive review of all business units, support divisions and major operational functions.

We looked at how we service our customers, business partners and ourselves. We aimed to develop the best business model for the future, one that would give us the capability to grow, to be more customer focused, competitive, effective and efficient, and to provide a greater return to Government in order to protect funding for vital public services. And we wanted to maintain a corporate culture that is fair, healthy and progressive because we value our employees' contributions to the Corporation's success.

By early March, BCLC received approval from our Board of Directors and Government to implement our strategic business and service plan. This plan positions the Corporation to achieve annual operational savings of about $14 million (15%) and improve our annual net income contributions to Government through fiscal 2004/05.

2002/03

The fiscal year ahead will see continuing development of innovative new products and enhancements to lottery, casino and bingo, with a target of $660 million in net income to Government.

Operating within Government's current gaming policy framework, we will direct our resources to the strategic areas that will drive the success of our business. We will focus on operational excellence in our people, practices and systems.

Growth in casinos will come from the start of the relocation process of four community casinos and the opening of two destination casinos in Wells and Cranbrook. These facilities will create substantive economic benefits and employment opportunities for their communities.

BCLC will also continue to work in partnership with the horse racing industry to develop joint opportunities to improve the economic viability of horse racing in British Columbia.

We will continue to play a strong leadership role in the stewardship of the gaming business to ensure that responsible gambling awareness and research programs are in place and that treatment programs are available for the small percentage of the adult population who experience problems with gambling.

Change is a constant as we strive to provide high-quality gaming entertainment and continually seek to improve ourselves as an organization. We operate in a highly competitive environment, and we will always look for ways to improve and enhance our business and gaming entertainment for our customers.

BCLC is proud of our history of success, of the significant financial benefits generated for public service programs, communities and charitable organizations, and of the economic and employment benefits generated through a healthy, balanced gaming industry in British Columbia.

Vic Poleschuk
President and CEO

Benefits for British Columbians

Lottery sales began in British Columbia in 1974. Over 27 years, gaming has generated:

- $5.2 billion in net income distributed to the Government of British Columbia
- $141 million in net income distributed to the Government of Canada
- $6.8 billion in prizes won by players
- $1.5 billion in commissions and service fees earned by lottery retailers, many of them small business owners, and casino and bingo service providers

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia (1985). Prior to 1985, the Province of British Columbia was a partner in Western Canada Lottery Foundation.

Mandate

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia, including the marketing of nationwide and regional lottery games in association with other provinces of Canada. Under current provincial gaming policy, the Corporation's mandate includes responsibility to:

- Conduct, manage and operate lottery gaming
- Conduct, manage and operate casino gaming
- Conduct, manage and operate commercial bingo gaming

In September 2001, the Corporation's responsibilities were expanded to include the management of horse racing and commercial bingo in British Columbia. The Corporation's specific role in horse racing is yet to be determined.

BCLC's head office is located in Kamloops with a sales and marketing office in Richmond for the principal Lower Mainland market. As a result of business initiatives identified in BCLC's Business Plan and Government's Core Services Review, a prize payout office in Victoria closed at fiscal year-end.

Market

The Corporation markets its lottery, casino and bingo products to adults. Under the recently introduced Gaming Control Act legislation, 19 years of age will become the legal age to participate in gaming in British Columbia.

While gaming in British Columbia has grown significantly over the last few years, relative to other Canadian provinces, adult per capita levels of gaming net income are moderate.

In 1992, British Columbia ranked fourth in per capita net income among the provinces. By 1999/2000, the province was at eighth position at $171. Per capita net income for fiscal 2001/02 was $189.

The province's lower per capita net income reflects a more rapid expansion of gaming in other provinces, specifically related to the introduction of large-scale casinos and video-lottery terminals in liquor-licensed facilities. Government gaming policy does not permit video-lottery terminals in licensed premises in British Columbia, a policy that BCLC fully supports.

Vision Statement

- To be a world-class gaming corporation
- Provide world-class gaming products that are fun and entertaining and that meet or exceed customer expectations
- Provide exceptional service to customers, business partners and each other
- Be a responsible corporate citizen
- Exceed stakeholder expectations and deliver tangible benefits for British Columbians
- Be a flexible, innovative and learning-focused organization
- Be one of the best businesses in British Columbia, recognized by our practices and reputation

Values

Integrity	We are fair, honest and trustworthy in the games we offer and the way we conduct business
Social Responsibility	We give careful consideration to the social values and impacts on the people and communities of British Columbia in all we do
Excellence	We strive for excellence in our work practices, products and relationships
Respect	Our workplace fosters openness, mutual respect and individual development

Guiding Operating Principles

Stewardship	We operate the business for the long-term benefit of British Columbians
Simplicity	We make it easy to deliver and access products and services
Focus	We focus on and pay attention to our customers, our strategic priorities and goals, our values and relationships
Effectiveness	We use our resources of dollars, time and talent to their fullest
Responsiveness	We decide and act quickly in response to strategic, competitive and market changes
Accountability	Clear objectives and targets exist throughout the organization and responsibility and accountability are widely shared and owned

Strategic Objectives

The mission of British Columbia Lottery Corporation is to provide high-quality gaming entertainment in a socially responsible manner for the benefit of all British Columbians

To provide high-quality gaming entertainment

To maintain a corporate culture that values innovation and excellence and is committed to employing the best possible people and realizing their potential

To be a responsive customer-focused organization

To be a socially responsible, trustworthy, community-orientated organization with a broadened base of public support

To be an efficient and effective business, managing our resources well and delivering tangible results for British Columbians

To generate revenue and continue our contributions to the economic development of British Columbia communities

April

- BCLC begins efforts as a founding supporter of the bid team to bring the 2010 Winter Games to Vancouver and Whistler
- Lotto 2001 lottery retailer forum is hosted in Vancouver
- Community Stage program rolls out for its fourth season, starting in Kamloops

May

- "6/49 Wednesdays" horse racing sponsorship begins at Hastings Park
- Community Stage visits Chilliwack International Jazz Festival, CASCAR Super Series Race in Vernon, Cloverdale Rodeo & Exhibition, Ladner Pioneer May Days

June

- Government announces Core Services Review
- Problem Gambling Help Line toll-free number is included on the back of lottery products
- BCLC sponsors the Alcan Dragon Boat Festival in Vancouver
- BCLC sponsors the Asia Pacific Trade & Convention Fair in Coquitlam
- Community Stage visits Port Alberni community celebration, Lumby Days, Sam Steele Days in Cranbrook, Vancouver Island 24 Hour Relay for the Kids in Victoria
- BCLC is Presenting Sponsor of Shell Payless Open in Victoria
- BCLC sponsors Mainstage 2001 theatre festival in Kamloops

July

- BCLC joins team of sponsors of HSBC PowerSmart Celebration of Light in Vancouver
- BCLC presents Symphony in the Park free concert in Stanley Park
- Community Stage visits Canada Day at Canada Place, Canada Day in Kamloops, Vancouver Island MusicFest in Courtenay, Merritt Mountain Music Festival, Discovery Coast Music Festival in Bella Coola
- BCLC sponsors FraserFest in New Westminster

August

- BC/49 ticket worth $1 million expires, despite strong media attention
- BCLC is title sponsor of BC Cup at Hastings Park
- Community Stage visits Abbotsford Agrifair, City of Trail Centennial Music Festival, Vancouver Island Exhibition in Nanaimo, BC Seniors Games in Surrey

September

- Government appoints a new BCLC Board of Directors
- Government announces the restructuring of the gaming regulatory and operational model in British Columbia
- Lotto 6/49 is Third Round Sponsor of Air Canada Championship in Surrey
- Community Stage visits Air Canada Championship volunteer acknowledgement, Rotary Fall Fair in 100 Mile House, Cloverdale Fall Fair, AIDS Walk in Vancouver, UBC alumni homecoming
- B.C. Bingo Championships were held in Vancouver
- BCLC is title sponsor of the 56th B.C. Derby at Hastings Park
- Starship Endeavour electronic bingo opens in Penticton

October

- Great Canadian Casino Coquitlam opens after relocation
- Lotto 6/49 BMW Bonus runs for five draws and produces seven winners from British Columbia
- Warfield resident claims $5.2 million on Lotto 6/49, the largest prize paid out in British Columbia during 2001/02
- Professional basketball returns to Sports Action after Vancouver's NBA team moves to Memphis

November

- BCLC is a sponsor of live harness racing season at Fraser Downs
- Government releases advisory committee report on British Columbia bingo halls
- Starship Northern Crown electronic bingo opens in Fort St. John

December

- Great Canadian Casino View Royal opens after relocation
- Government announces changes to charitable gaming policies

January

- Government provides further direction on gaming policy and community casino relocations

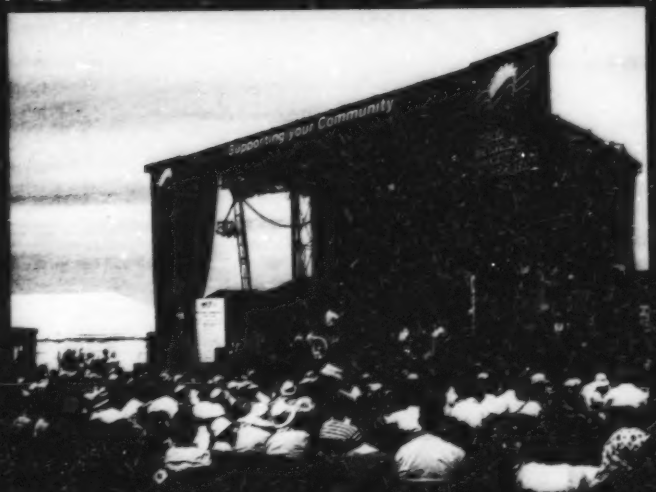
February

- Keno Bonus launches
- Starship Kermode electronic bingo opens in Terrace

March

- Government introduces Gaming Control Act legislation intended to strengthen and streamline the management of gaming in British Columbia
- BCLC receives approval to implement the Business and Service Plan
- SuperStar Gold Bingo progressive bingo is introduced, replacing SuperStar Bingo
- Starship Odyssey electronic bingo opens in Chilliwack
- Prince Rupert resident wins the largest-ever bingo jackpot in British Columbia, $99,300 on SuperStar Gold Bingo

Highlights and Community Events



Growth and change, new responsibilities, and a rigorous examination of all business programs characterized fiscal 2001/02.

Sales and profit from the lottery, casino and bingo gaming business units exceeded budget. Total sales revenues of $1.61 billion surpassed the previous year by $124.4 million. Net income of $606.1 million resulted in a distribution of $598.5 million to the Government of British Columbia and $7.6 million to the Government of Canada.

Gaming Structure

In September, Government announced a new gaming management structure. The five agencies responsible for gaming – Gaming Policy Secretariat, British Columbia Gaming Commission, British Columbia Racing Commission, Gaming Audit and Investigation Office and BCLC – were consolidated into two.

BCLC retained responsibilities to conduct and manage lotteries, casinos and bingo, and acquired new responsibilities for paper bingo in commercial bingo halls and horse racing. At fiscal year-end, the Corporation's specific role in managing horse racing had yet to be fully determined.

The other four agencies were consolidated into the Gaming Policy and Enforcement Branch (GPEB), responsible for policy, standards, regulation, licensing and enforcement for all gaming sectors.

Gaming Legislation

Early in March, Government introduced a new Gaming Control Act. The Gaming Control Act replaces the Lottery Corporation Act and the Lottery Act and provides the legislative authority to conduct, manage and regulate gaming in British Columbia. Gaming regulation will be separated from operations.

BCLC endorsed and supported Government's 1997 policy that the minimum age to participate in gaming activities is 19 years by previously implementing policies to prevent participation in gaming by minors. Under the Act, 19 years will now become the legal age and selling products to minors will be a statutory offence punishable by fine. The Corporation will take further steps to ensure that the legal age is broadly conveyed and adhered to by consumers, lottery retailers, and casino and bingo service providers.

Employment

About 620 full-time equivalent staff members were employed by BCLC in fiscal 2001/02 in the three Corporate offices and in the field throughout the province in support of the three business units.

British Columbia's gaming industry is estimated to have created more than 8,500 direct employment opportunities and thousands more indirect opportunities. These include people employed by casino and bingo service providers and working where lottery products are sold, and staff at companies that provide gaming-related service and support.

World Wide Web

The Internet and e-commerce provides organizations with effective channels to conduct business with partners, suppliers and customers.

BCLC's Web site, www.bclc.com, continued to evolve as a medium to share winning numbers, product information, corporate publications and news. During the year, a comprehensive e-business strategy was developed that will be actively implemented in fiscal 2002/03.

Lottery Business Unit

Lottery ticket sales began in British Columbia in 1974. The Corporation contracts for the sale of its lottery products through a private sector network of retailers who receive an industry standard commission rate and have opportunities to earn additional income though bonus programs.

At fiscal year-end, about 2,650 retail locations were offering a full range of lottery games designed for a variety of player preferences. These businesses range from small family stores to large corporate chains. About 1,185 locations in bars and pubs were offering a limited selection of games suited to adult social settings.

In British Columbia, 65% of adults play lotteries on a regular basis, play is relatively equal between males and females, 63% have some post-secondary education, and 61% have annual household income greater than $40,000.

In fiscal 2001/02, lottery sales revenues reached $962.7 million. From that, players claimed $521.8 million in prizes ranging from a dollar to millions of dollars. Retailers earned $65.4 million in commissions paid though a commission structure that varies by product.

Keno sales of $223 million topped all lottery products for the first time. Keno Bonus launched in February with positive results, attracting a greater player participation rate than projected.

Scratch and Win achieved its best fiscal year ever with sales of $199.3 million. Set for Life, a $4 ticket with an annuity or cash prize option, established itself as a base game and accounted for about 16% of sales. A strong Christmas holiday lineup interested new players and regular players looking for variety.

Lotto 6/49, the flagship game, finished third at $194.9 million. Sales below budget and below the previous fiscal year's levels were consistent with national results. BC/49, at $70.8 million, exceeded budget, but was below the previous fiscal year. Extra, with sales of $64.9 million, was below budget and the previous fiscal year.

Lotto Super 7 sales of $61.3 million were above budget and greater than the previous year. Sales typically increase at jackpot levels of $10 million or greater.

Breakopen pull-tabs, available in the network of adult social settings, recorded sales of $11.3 million. Sales for Chaser, introduced in the same network during the previous fiscal year, were $2.4 million.

Sports Action sales rose to $25.9 million, a 16.1% increase over the previous fiscal year. The increase is attributed to the return of professional basketball to the menu as a result of Vancouver's professional team relocating.

Lottery Retailers

Retailers receive a commission on every product sold. During fiscal 2001/02, bonus programs offered opportunities to increase earnings by achieving outstanding sales and service.

In total, about 3,800 retailers received $65.4 million in sales commissions and incentive earnings.

Casino Business Unit

BCLC was given responsibility to conduct and manage slot machines when they were introduced in British Columbia in 1997 as part of Government's change in gaming policy. BCLC assumed responsibility to conduct and manage all casino gaming in 1998.

There are two types of casinos in British Columbia – community and destination. Community casinos are existing facilities formerly known as charitable casinos. Destination casinos are new casinos approved in principle in fiscal 1998/99 through Government's Request for Proposal process. Sixteen community casinos and two destination casinos were operational at fiscal year-end.

Government policy restricts casino facilities to a maximum of 300 slot machines, 30 gaming tables and six poker tables, but not all locations offer the full complement. Twelve of the 18 casinos offer slot machines. At fiscal year-end, about 3,000 slot machines and 375 tables were operational.

Of casino players in British Columbia, 54% are male, 56% have some post-secondary education and 56% have annual household income greater than $40,000.

In fiscal 2001/02, slot machine revenues totalled $311.7 million and table game revenues were $240.7 million. The increases over the previous fiscal year reflect the openings of the two relocated casinos, new table games and different slot machine themes to enhance existing games and maintain player interest.

Of the seven destination casinos that were approved in principle by Government in fiscal 1998/99, one is operational in New Westminster and one in Penticton. Casinos in Cranbrook and in Wells are scheduled to open in fiscal 2002/03. Three others are in various stages of negotiation.

In January, Government provided policy direction on the development of community and destination casinos. Government identified four community casinos that are eligible for possible relocation or facility expansion under certain conditions. BCLC's Service Plan provides for two relocations in fiscal 2003/04 and a further two in 2004/05.

CASINO REVENUES
FOR FISCAL YEAR ENDING MARCH 31, 2002

Casino	Service Provider	City	BCLC Slot Machine Revenue	Number of Slot Machines at March 31	BCLC Table Game Revenue	Number of Tables at March 31	BCLC Combined Casino Revenue
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 8,670,747	134	$ 565,955	6	$ 9,236,702
Casino Hollywood	Prince George Casino Supply Co. Inc.	Prince George	20,944,233	220	2,775,967	9	23,720,201
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	72,225,149	300	40,012,137	31	112,237,286
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver	–	–	16,070,761	28	16,070,761
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	20,266,193	169	13,326,521	24	33,592,714
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver	–	–	20,224,446	31	20,224,446
Great Canadian Casino Coquitlam	Great Canadian Casinos Inc.	Coquitlam	26,948,014	300	14,434,582	35	41,382,597
Great Canadian Casino Holiday Inn	Great Canadian Casinos Inc.	Vancouver	–	–	27,880,291	36	27,880,291
Great Canadian Casino Mayfair	Great Canadian Casinos Inc.	Victoria	–	–	6,332,785	18	6,332,785
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	40,097,431	300	5,521,456	16	45,618,888
Great Canadian Casino Newton	Great Canadian Casinos Inc.	Surrey	–	–	11,767,822	34	11,767,822
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver	–	–	11,046,720	24	11,046,720
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond	–	–	42,286,443	33	42,286,443
Great Canadian Casino View Royal	Great Canadian View Royal	View Royal	12,552,543	300	3,254,072	30	15,806,615
Lake City Casino Kamloops	Lake City Casinos Limited	Kamloops	19,386,203	275	2,353,960	12	21,740,164
Lake City Casino Kelowna	Lake City Casinos Limited	Kelowna	23,645,747	300	3,574,559	16	27,220,306
Lake City Casino Vernon	Lake City Casinos Limited	Vernon	15,444,636	177	1,327,122	8	16,771,759
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver	–	–	3,314,491	30	3,314,491
			$ 260,180,896	**2,475**	**$226,070,093**	**421**	**$ 486,250,989**
Lake City Casino Penticton	Lake City Casinos Limited	Penticton	$ 14,649,314	224	$ 1,222,136	12	$ 15,871,449
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	36,908,432	300	13,354,812	30	50,263,244
			51,557,745	**524**	**14,576,947**	**42**	**66,134,693**
			$ 311,738,642	**2,999**	**$240,647,040**	**463**	**$ 552,385,682**

Notes
The number of tables represents the maximum authorized tables (including poker tables) per casino. The actual number of tables open fluctuates daily and there are rules outlining the number of tables open at any one time. The number of authorized maximum tables has fluctuated throughout the year.
Royal Diamond Casino closed due to a labour disruption July 15, 2001
Great Canadian Casino Surrey closed October 5, 2001
Great Canadian Casino Coquitlam opened October 5, 2001
Great Canadian Casino View Royal opened December 6, 2001
Great Canadian Casino Mayfair closed January 1, 2002

Casino Service Providers

BCLC has partnered with eight private sector casino service companies that provide, under contract, both facility and day-to-day operational services for a service fee based on revenue generated.

From net win, recorded after prizes, service providers receive service fees of 40% on table games and 25% on slot machines. Operating costs of the facility are covered through these service fees. An additional 3% on each of the service fees is available for facility development.

Service providers earned $193.1 million in service fees in fiscal 2001/02.

Host Local Governments

Under a 1999 Memorandum of Agreement reached between the Government of British Columbia and Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income, after service fees, generated by that casino.

For destination casinos, net income is divided, with two-thirds going to the Government of British Columbia, one-sixth to the host local government and one-sixth to the casino proponent for Development Assistance Compensation.

In fiscal 2001/02, Government made quarterly payments totalling $32.5 million to host local governments. They are permitted to use these funds for any projects or services, but are required to submit quarterly reports on expenditures.

Development Assistance Compensation totalled $6.1 million. This represents partial funding for the development of ancillary facilities that contribute to the economic development associated with destination casinos.

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE
FISCAL 2001/02

Local Government	Casino	2001/02 Total
Burnaby	Gateway Casino (c)	$ 6,274,000
Coquitlam	Great Canadian Casino (c)	2,280,000
Kamloops	Lake City Casino (c)	1,288,000
Kelowna	Lake City Casino (c)	1,598,000
Nanaimo	Great Canadian Casino (c)	2,680,000
New Westminster	Gateway Casino Royal Towers (c)	1,842,000
	Royal City Star Casino (d)	4,741,000
New Westminster Total		**$ 6,583,000**
Penticton	Lake City Casino (d)	1,584,000
Prince George	Casino Hollywood (c)	1,390,835
Quesnel	Billy Barker Casino (c)	549,000
Richmond	Great Canadian Casino (c)	1,957,000
Surrey*	Great Canadian Casino (c)	527,000
Vancouver	Grand Casino (c)	924,000
	Great Canadian Casino Holiday Inn (c)	1,278,000
	Gateway Casino Mandarin Centre (c)	749,000
	Great Canadian Casino Renaissance (c)	498,000
	Royal Diamond Casino (c)	152,000
Vancouver Total		**$ 3,601,000**
Vernon	Lake City Casino (c)	996,000
View Royal	Great Canadian Casino (c)	881,000
Victoria*	Mayfair Casino (c)	280,000
TOTAL		**$ 32,478,000**

c = community casinos (10% share)
d = destination casinos (one-sixth share)
* Permanently closed

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CASINO REVENUES
FOR FISCAL YEAR ENDING MARCH 31, 2002

Casino	Service Provider	City	BCLC Slot Machine Revenue	Number of Slot Machines at March 31	BCLC Table Game Revenue	Number of Tables at March 31	BCLC Combined Casino Revenue
Community Casinos							
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 8,670,747	134	$ 565,955	6	$ 9,236,702
Casino Hollywood	Prince George Casino Supply Co. Inc.	Prince George	20,944,233	220	2,775,967	9	23,720,201
Gateway Casino Burnaby	Gateway Casinos Inc.	Burnaby	72,225,149	300	40,012,137	31	112,237,286
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver	–	–	16,070,761	28	16,070,761
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	20,266,193	169	13,326,521	24	33,592,714
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver	–	–	20,224,446	31	20,224,446
Great Canadian Casino Coquitlam	Great Canadian Casinos Inc.	Coquitlam	26,948,014	300	14,434,582	35	41,382,597
Great Canadian Casino Holiday Inn	Great Canadian Casinos Inc.	Vancouver	–	–	27,880,291	36	27,880,291
Great Canadian Casino Mayfair	Great Canadian Casinos Inc.	Victoria	–	–	6,332,785	18	6,332,785
Great Canadian Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo	40,097,431	300	5,521,456	16	45,618,888
Great Canadian Casino Newton	Great Canadian Casinos Inc.	Surrey	–	–	11,767,822	34	11,767,822
Great Canadian Casino Renaissance	Great Canadian Casinos Inc.	Vancouver	–	–	11,046,720	24	11,046,720
Great Canadian Casino Richmond	Great Canadian Casinos Inc.	Richmond	–	–	42,286,443	33	42,286,443
Great Canadian Casino View Royal	Great Canadian View Royal	View Royal	12,552,543	300	3,254,072	30	15,806,615
Lake City Casino Kamloops	Lake City Casinos Limited	Kamloops	19,386,203	275	2,353,960	12	21,740,164
Lake City Casino Kelowna	Lake City Casinos Limited	Kelowna	23,645,747	300	3,574,559	16	27,220,306
Lake City Casino Vernon	Lake City Casinos Limited	Vernon	15,444,636	177	1,327,122	8	16,771,759
Royal Diamond Casino	Royal Diamond Casinos Inc.	Vancouver	–	–	3,314,491	30	3,314,491
			$ 260,180,896	**2,475**	**$226,070,093**	**421**	**$ 486,250,989**
Destination Casinos							
Lake City Casino Penticton	Lake City Casinos Limited	Penticton	$ 14,649,314	224	$ 1,222,136	12	$ 15,871,449
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	36,908,432	300	13,354,812	30	50,263,244
			51,557,745	**524**	**14,576,947**	**42**	**66,134,693**
			$ 311,738,642	**2,999**	**$240,647,040**	**463**	**$ 552,385,682**

Notes
The number of tables represents the maximum authorized tables (including poker tables) per casino. The actual number of tables open fluctuates daily and there are rules outlining the number of tables open at any one time. The number of authorized maximum tables has fluctuated throughout the year.
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Casino Service Providers

BCLC has partnered with eight private sector casino service companies that provide, under contract, both facility and day-to-day operational services for a service fee based on revenue generated.

From net win, recorded after prizes, service providers receive service fees of 40% on table games and 25% on slot machines. Operating costs of the facility are covered through these service fees. An additional 3% on each of the service fees is available for facility development.

Service providers earned $193.1 million in service fees in fiscal 2001/02.

Host Local Governments

Under a 1999 Memorandum of Agreement reached between the Government of British Columbia and Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income, after service fees, generated by that casino.

For destination casinos, net income is divided, with two-thirds going to the Government of British Columbia, one-sixth to the host local government and one-sixth to the casino proponent for Development Assistance Compensation.

In fiscal 2001/02, Government made quarterly payments totalling $32.5 million to host local governments. They are permitted to use these funds for any projects or services, but are required to submit quarterly reports on expenditures.

Development Assistance Compensation totalled $6.1 million. This represents partial funding for the development of ancillary facilities that contribute to the economic development associated with destination casinos.

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE
FISCAL 2001/02

Local Government	Casino	2001/02 Total
Burnaby	Gateway Casino (c)	$ 6,274,000
Coquitlam	Great Canadian Casino (c)	2,280,000
Kamloops	Lake City Casino (c)	1,288,000
Kelowna	Lake City Casino (c)	1,508,000
Nanaimo	Great Canadian Casino (c)	2,680,000
New Westminster	Gateway Casino Royal Towers (c)	1,842,000
	Royal City Star Casino (d)	4,741,000
New Westminster Total		**$ 6,583,000**
Penticton	Lake City Casino (d)	1,584,000
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Bingo Business Unit

Bingo was one of the earliest forms of legal gaming introduced in British Columbia and it provides a critical source of revenue to charitable and religious organizations. In recent years, bingo throughout North America has faced static or declining revenues due to changes in demographics, technology and competition from other forms of gaming.

In 1997, Government gave BCLC responsibility to conduct and manage electronic bingo products. The Corporation assumed additional responsibility for paper bingo in commercial bingo halls in January 2002.

At fiscal year-end, touch-screen electronic bingo was available in 14 of 37 commercial halls. Linked bingo was being offered in all commercial halls and about 40 independent halls operated by charities. Hand-held bingo units, a way to play paper bingo electronically, were operational in 11 sites.

Of British Columbia bingo players, 72% are female, 48% have some post-secondary education, and 36% have annual household incomes greater than $40,000.

In fiscal 2001/02, BCLC opened four additional electronic bingo systems at existing halls. Starship Endeavour opened in Penticton in September, followed in November by Starship Northern Crown in Fort St. John, in February by Starship Kermode in Terrace and in March by Starship Odyssey in Chilliwack.

BCLC's responsibility to conduct and manage paper bingo was a major initiative that included: Implementation of a new bingo paper management system; the development and implementation of new service, facility, operational and security standards; and contracts with bingo service providers.

SuperStar Gold Bingo launched in March to replace SuperStar Bingo. This new game links up to 80 participating halls nightly to play for a progressive jackpot.

In fiscal 2001/02, total bingo sales grew from $53.7 million to $92.3 million, an increase of $38.6 million or 72% over the previous fiscal year. The majority of the increase ($27.2 million) was the result of BCLC assuming responsibility for paper bingo sales in commercial halls on January 15, 2002.

Starship Bingo sales reached $40.2 million, while SuperStar Bingo sales were $14.2 million. Sales for hand-held bingo were $8.9 million.

BCLC remained responsible for distributing bingo paper to all halls. Revenues fom the sale of bingo paper totalled $1.9 million over the fiscal year.

Players collected $53.2 million in prizes, including the largest prize ever paid out in British Columbia bingo history, $99,300 on SuperStar Gold Bingo.

Bingo Service Providers

BCLC pays bingo service providers a service fee based on a gross monthly sales formula. Bingo service providers earned $14.3 million in fiscal 2001/02.

Charities

While the management structure of bingo was changed during the year whereby charities no longer are responsible to conduct and manage paper bingo, charitable organizations continue to play an important role in bingo. Charitable organizations continue to be directly involved in bingo through certificates of affiliation that establish individual charitable organizations as the beneficiaries of all bingo gaming profits from a designated bingo hall, thus keeping all bingo gaming profits in their respective communities.

Government also guarantees funding to charities of a minimum level of $125 million annually from gaming. GPEB, under which British Columbia Gaming Commission was consolidated, manages the distribution of funds through licensed and direct access programs.

In fiscal 2001/02, $97.4 million of BCLC net income was distributed to charities as part of the guarantee commitment of $130 million.

Where the Money Goes

Total revenues
$1.61 billion

Prizes Paid to Winners	$575 million
Commissions and Service Fees Paid to Lottery Retailers Casino and Bingo Service Providers	$273 million
Operating Expenses	$109 million
Ticket Printing and Bingo Paper	$15 million
GST	$29 million

Net income
$606.1 million

Distribution to Government of Canada
$7.6 million

Distribution to Government of British Columbia
$598.5 million

Consolidated Revenue	$313.9 million
Health Special Account	$144.5 million
Charities	$97.4 million
Host Local Governments	$32.5 million
Development Assistance Compensation	$6.1 million
Problem Gambling Program	$2.5 million
Gaming Policy Secretariat	$1.6 million

Every company is obligated to ensure that its product or service is used appropriately and for the intended purpose. BCLC's mission statement is built on a foundation of providing high-quality gaming entertainment in a socially responsible manner.

Legal gambling occurs in a regulated environment. Individuals carry the primary responsibility to understand the very nature of games of chance, to make informed choices and to manage their gaming participation. BCLC, Government and communities share the responsibility to ensure people have the information they need to make reasonable decisions about their participation in gaming and are supported by health, social service, awareness and prevention programs.

Studies show that more than 96% of adults enjoy the social, recreational and anticipatory elements of gambling and do so within a sensible spending limit. The other small percentage may experience problems that require intervention. Treatment programs are available for these individuals and those who care about them.

BCLC works in partnership with Government and those involved in prevention and treatment to address issues and provide reliable and accurate information.

Of the net income earned by BCLC, $4 million is dedicated annually to the Government's Problem Gambling Program. As the request to increase the Problem Gambling Program funding was approved after the beginning of the fiscal year, for fiscal 2001/02 the program expended $2.5 million.

If gambling is a problem, one of the first steps a person can take is to call the 24-hour Problem Gambling Help Line at 1-888-795-6111 for information and referral to counselling and other services. During 2001, the toll-free line received 1,600 calls. Currently, 45 addiction counsellors are delivering problem gambling treatment, awareness and prevention services throughout British Columbia.

All BCLC lottery products carry the Help Line number as one of the ways of informing people that support services are available no matter where they live in the province. Brochures, stickers and posters that provide information about the Problem Gambling Program and Help Line are available at gaming establishments.

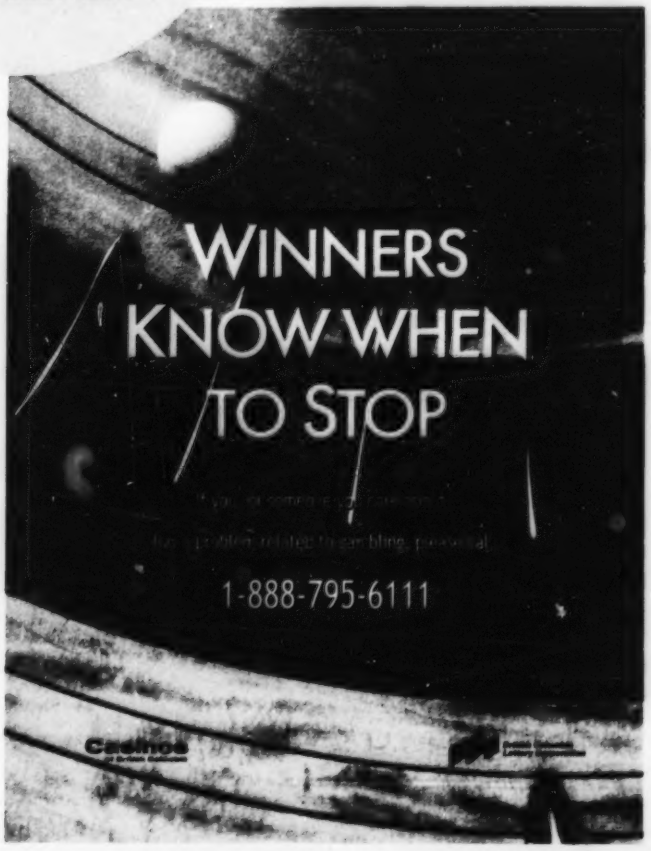
BCLC's Casino Self-Exclusion Program is another tool available to those experiencing gambling problems. Individuals may choose to be voluntarily restricted from casinos for a specified period of time.

Through collective action and shared responsibility, BCLC will continue to play a key leadership role by acting as an information resource and supporting program initiatives that encourage responsible gambling practices and mitigate any negative social impacts related to gambling.

Problem Gambling Help Line

1-888-795-6111

BRITISH COLUMBIA



Authority

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

By order-in-council, Government appointed a new BCLC Board of Directors September 26, 2002.

BOARD OF DIRECTORS

The Board provides stewardship and ethical leadership by overseeing management of the Corporation's affairs with a view to the best interests of the Corporation and the long-term interests of the shareholder, the Government of British Columbia.

DIRECTORS

In carrying out the mandate of the Board, each director is required to act in accordance with a fiduciary duty, duty of care and conflict of interest duty.

CHAIR

The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.

Committee Structure

BCLC Committees are responsible for advising and formulating recommendations to the Board. From time to time, the Board of Directors may establish committees as needed.

Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, note findings and recommendations.

The following committees have been established:

STANDING COMMITTEES

Audit, Finance and Budget

Chair: Bruna Giacommazi

Members: Arthur Willms, Kathy Stevenson

- Liaises between the external and internal auditors and the Board
- Oversees the review of the Corporation's financial operation by the external auditors and makes a recommendation to the Board with respect to approval of audited financial statements
- Ensures compliance with financial and accounting policies and has the right at all reasonable times to inspect all books and records of the Corporation as it deems necessary

Governance

Chair: Mary MacGregor

- Reviews the policies and practices of the Board
- Ensures the Board's continuing ability to fulfil its legislative mandate
- Implements effective due diligence over the Corporation's operations
- Establishes and implements good corporate governance practices throughout the Corporation

Human Resources and Compensation

Chair: Evaleen Jaager Roy

Members: Donald Pettit, Arthur Willms

- Examines the Corporation's strategies and practices that relate to effective and fair employee relations management and provides advice on these matters to the Board for consideration
- Reports to the Board as a whole with respect to compliance with current government directives and initiatives, including the Public Sector Employers' Council and the Crown Corporation Employers' Association

Marketing and Sponsorship

Chair: Donald Pettit

Members: John Bell, Neil McDonnell

- Liaises with the Corporation to ensure that funds allocated for marketing and sponsorship activities are effectively spent to further the awareness of and goals of the Corporation
- Assists in developing a policy and strategy that will govern the Corporation's role in community and provincially based sponsorships
- Ensures that sponsorships undertaken will enhance the objectives of the Corporation in those communities where the Corporation conducts its business
- Works with the Corporation in recommending to the Board actions and strategies that will further enhance the public image of the Corporation

AD HOC COMMITTEE

Retailer Complaint Review Committee

Chair: Mary MacGregor

- Provides an appeal mechanism for existing, past and potential retailers who, after having exhausted appeals to management, seek an objective review from the Board
- Decisions made by this committee are binding on the Corporation

Ex-officio members of all committees:

Chair T. Richard Turner

President and CEO Vic Poleschuk

Sales of $1.61 billion exceeded budget by $69.4 million and the previous fiscal year by $124.4 million

Record revenues and net income for the 27th consecutive year

Net income of $606.1 million exceeded budget by $21.1 million and the previous fiscal year by $44.1 million

Direct expenses of $863.5 million, reflecting strong sales performance, exceeded budget by $44.4 million and the previous fiscal year by $67.3 million

Administrative expenses of $88.1 million were $3.7 million less than budget and $3.8 million more than the previous fiscal year

Ratio of administrative expenses to sales of 5.5% was the lowest since BCLC's first year in 1986

This Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for fiscal year ended March 31, 2002, and should be read in conjunction with the Corporation's audited financial statements.

Financial Results ($ in Millions)	1997/98	1998/99	1999/00	2000/01	Actual	2001/02 Budget	Variance
Sales:							
Lottery	$883.4	$910.6	$907.2	$937.0	$962.7	$950.0	$12.7
Casino	40.7	308.2	445.2	492.3	552.4	523.0	29.4
Bingo	18.1	42.7	49.1	53.7	92.3	65.0	27.3
	942.2	**1,261.5**	**1,401.5**	**1,483.0**	**1,607.4**	**1,538.0**	**69.4**
Direct Expenses	571.4	699.1	745.9	796.1	863.5	819.1	(44.4)
Operating Expenses	80.5	106.4	123.6	124.9	137.8	133.9	(3.9)
Net Income:							
Lottery	267.5	282.5	287.8	285.4	293.8	289.3	4.5
Casino	22.0	171.5	242.3	271.7	299.5	287.4	12.1
Bingo	.8	2.0	1.9	4.9	12.8	8.3	4.5
	$290.3	**$456.0**	**$532.0**	**$562.0**	**$606.1**	**$585.0**	**$21.1**

Overview

In fiscal 2001/02, for the 27th consecutive year, BCLC achieved record revenues and profits. Revenues of $1.61 billion exceeded budget by $69.4 million and the previous fiscal year by $124.4 million. Relocations of existing community casinos to new full-service facilities in Coquitlam and View Royal, continued network growth and product innovation from the lottery division, and the addition of paper bingo in commercial bingo halls into operations all contributed to the strong results.

Direct costs of $863.5 million were $44.4 million greater than budget and $67.3 million greater than the previous fiscal year. The increase in direct costs reflects additional prizes and commissions directly related to the growth in sales, a shift to higher prize expense lottery games and an increase in prizes related to the addition of paper bingo in commercial bingo halls into operations.

Operating costs of $137.8 million were $3.9 million greater than budget and $12.9 million greater than fiscal 2000/01.

In June 2001, Core Services Review was announced as one of Government's major initiatives under its new mandate. Crown corporations and ministries were required to undertake a comprehensive and rigorous review of both their overall purpose and the effectiveness of their operations.

Government approved BCLC's Core Services Review recommendations. These recommendations will result in the Corporation reducing operating costs by about $14.0 million or 15% from the fiscal 2001/02 baseline budget.

While the majority of cost savings will be realized in fiscal 2002/03, the Corporation began reducing operating costs in fiscal 2001/02. Cost savings realized during the year in staffing, network communications, advertising and marketing were partially offset by additional expenditures required to integrate paper bingo into operations and one-time restructuring costs resulting from Core Services Review.

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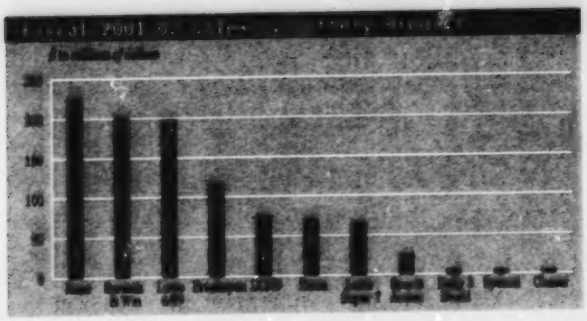


Lottery Operations

The Corporation's lottery network consists of about 2,650 retail locations and 1,185 retailers in bars and pubs.

Fiscal 2001/02 lottery sales of $962.7 million exceeded budget by $12.7 million and the previous fiscal year by $25.7 million. Strong sales performance from Keno, BC/49, Sports Action and Breakopen pull-tabs were partially offset by lower than expected sales from Lotto 6/49, Extra and Chaser.

Lottery net income of $293.8 million exceeded budget by $4.5 million and the previous fiscal year by $8.4 million.

Lotteries in British Columbia are considered a mature market. Over the last four-year period, sales growth has roughly matched inflation. Competition from other forms of entertainment, an aging population, shifts in consumer demand and significant changes at retail have all contributed to a flattening of lottery sales. The maintenance of current lottery market sales revenues and any future growth will result from the introduction of new innovative product lines and the continued development and refinement of the lottery network.

Casino Operations

The Corporation's casino network includes 16 community and two destination casinos that operate about 3,000 slot machines and 375 tables. During the year, two existing community casinos were relocated to full-service facilities, one casino was closed, and four casinos operated under reduced hours for two months due to a labour disruption.

Fiscal 2001/02 casino net win of $552.4 million exceeded budget by $29.4 million and the previous fiscal year by $60.1 million. The introduction of new slot machine and table games and refinements to the slot machine game mix contributed to increased revenue.

Casino net income of $299.5 million exceeded budget by $12.1 million and the previous fiscal year by $27.8 million.

In January 2002, Government provided direction on the future of casino gaming in British Columbia. This direction provides for the relocation of a limited number of community casinos that, based on discussions with Government or BCLC, had made significant investments or taken significant steps in relocating their existing operations. The Corporation's plans provide for the relocation of four existing community casinos over the next three years.

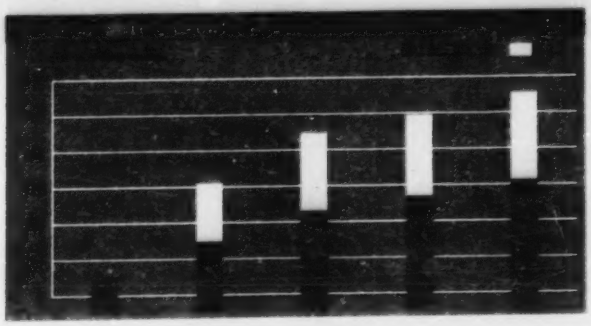
Bingo Operations

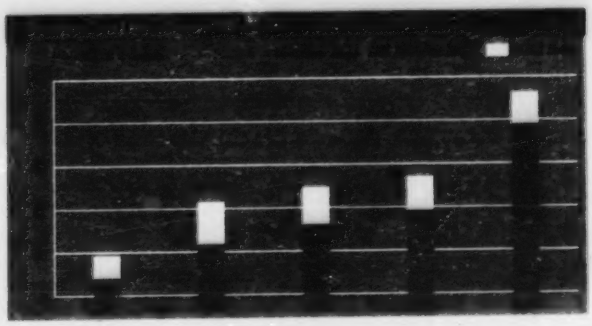
The Corporation offers bingo products through a network of 37 commercial halls and about 80 independent operators. These products include electronic bingo (14 Starship Bingo sites), linked bingo (80 SuperStar Bingo sites), and paper bingo in commercial halls.

In September 2001, as part of Core Services Review, the Corporation assumed responsibility to conduct and manage paper bingo in commercial halls. On January 15, 2002, BCLC assumed operational responsibility for these sites with the implementation of a new management control system, operational policies, and facility, service and security standards.

Fiscal 2001/02 sales of $92.3 million were $27.3 million greater than budget and $38.6 million greater than the previous fiscal year.

Fiscal 2001/02 net income of $12.8 million exceeded budget by $4.5 million and the previous fiscal year by $7.9 million.





BCLC's mission statement and objectives reflect the Corporation's principal mandate to provide high-quality gaming entertainment in a socially responsible manner, within the policy framework set by the Government of British Columbia, for the benefit of all British Columbians.

The Corporation measures performance against six key objectives, which provide the strategic direction for the organization.

TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT

Objectives

- Grow all business segments through the development of new innovative products and services
- Broaden the overall customer base by increasing the entertainment value of products offered to the public
- Develop a casino model that has long-term sustainability and maximizes economic and tourism benefits for the province
- Reposition bingo to attract a broader customer base and to increase the entertainment value of products

Strategies

- Provide more interactive products to increase the level of entertainment
- Develop and enhance distribution channels to make it more convenient for customers to play and to provide a higher level of fun and entertainment
- Upgrade and relocate existing gaming facilities to provide a greater entertainment experience

Performance Measures	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Revenue growth generated by new products	n/a	baseline	0% actual 1% target	5%	10%	no target set
Customer satisfaction rating (lottery)	95%	89%	86% actual 90% target	90%	90%	95%
Relocate or open new casinos	1 new/ 1 relocation	1 new	2 relocations	2 new	2 relocations	2 relocations

In fiscal 2001/02, while BCLC did not introduce any products that were considered new transformational games, the Corporation did introduce product enhancements or game extensions that resulted in about $30.0 million or 2% in incremental sales growth. Lottery product enhancements introduced during the year included Keno Bonus and Sports Action basketball. Slot machine game enhancements included game conversions, nickel play, mystery bonus and participation games. Table game enhancements included Fortune Pai Gow, Electronic Sic Bo, Progressive Blackjack and Rapid Roulette. In March 2002, the Bingo Business Unit introduced a new progressive bingo game, SuperStar Gold.

At 86%, customer satisfaction of lottery games was just below the target level of 90%.

During the year, the Corporation relocated two existing community casinos to new full-service facilities in Coquitlam and View Royal. Of the 18 casinos operational in British Columbia at March 31, 2002, 12 now operate in facilities that offer both slot machines and table games.

In fiscal 2002/03, the Corporation's plans provide for the opening of two new destination casinos, one in Wells (Jack o' Clubs 1930s Casino & Music Hall) and one in Cranbrook (Casino of the Rockies). As per Government policy, the Corporation's Service Plan provides for the relocation of four existing community casinos to new facilities by fiscal 2004/05.

TO BE A SOCIALLY RESPONSIBLE, TRUSTWORTHY, COMMUNITY-ORIENTATED ORGANIZATION WITH A BROADENED BASE OF PUBLIC SUPPORT

Objectives

- Build a corporate image that reinforces the following attributes: Social responsibility, community focus, collaborative relationships, integrity, fun and entertainment, well managed
- To be a strong, community-minded, good corporate citizen
- Actively participate in improving education, awareness, and access to information and resources for problem gambling
- Support the appropriate funding of problem gambling programs

Strategies

- Create greater public awareness of the benefits and beneficiaries of gaming
- Support communities through select community event sponsorships
- Develop industry-leading risk management strategies and responsible gambling programs
- Support Government in the development and maintenance of an effective problem gambling program

Performance Measures	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Public support rating	48.1%	47.5%	52% actual 55% target	55%	60%	65%
Problem gambling funding	$1.8 million	$2.1 million	$2.5 million actual $4.0 million target	$4.0 million	$4.0 million	$4.0 million

BCLC's public support ratings increased to 52% from 47.5% in fiscal 2001/02. The introduction of new gaming legislation and clear direction from Government on the future development of gaming contributed to growing support for the Corporation and gaming in British Columbia.

The Ministry of Health Planning spent $2.5 million on problem gambling programs. While this was $1.5 million less than the provision of $4 million, it represented a $450,000 increase over fiscal 2000/01. In fiscal 2002/03, the Ministry of Health Services' plans call for the replication of the Problem Gambling Prevalence Study that was last completed in 1996.

TO BE A RESPONSIVE, CUSTOMER-FOCUSED ORGANIZATION

Objectives

- Make it easy for customers to do business with us
- Make it easy for business partners to do business with us
- Foster loyalty among customers and business partners

Strategies

- Develop products and services with customers' needs in mind
- Review all existing policies and processes from our business partners' perspective and make changes where necessary
- Develop a closer relationship with individual customers and business partners

Performance Measures	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Customer satisfaction rating (lottery)	95%	89%	86% actual 90% target	90%	90%	90%
Business partner satisfaction ratings (lottery)	95%	93%	95% actual 90% target	90%	95%	95%
Establish baseline customer and business partner satisfaction ratings for casino and bingo operations	N/A	N/A	establish baselines	1% > baseline	5% > baseline	10% > baseline

During fiscal 2001/02, BCLC maintained high levels of satisfaction from both lottery players and the retailers who market and sell these products. Baseline satisfaction ratings for the casino and bingo divisions are nearing completion, and the Corporation will begin to track these performance measures in fiscal 2002/03.

TO MAINTAIN A CORPORATE CULTURE THAT VALUES INNOVATION AND EXCELLENCE AND IS COMMITTED TO EMPLOYING THE BEST POSSIBLE PEOPLE AND REALIZING THEIR POTENTIAL

Objectives

- Make measured progress towards our values and preferred culture by encouraging innovation and openness to change
- Attract, develop and retain the right people with the right skills

Strategies

- Pay fair compensation and recognize employees for their value
- Provide all employees with development and training opportunities
- Improve communication with employees to ensure they have a good understanding of the Corporation's goals, objectives and strategies

Performance Measures	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Employee satisfaction rating	74%	not measured	not measured 75% target	>75%	>75%	>75%
Employee turnover rate	3.0%	4.4%	6.6% actual 5% target	<5%	<5%	<5%
Employee absenteeism	1.9%	1.7%	2.2% actual 2.5% target	<2.5%	<2.5%	<2.5%

The Corporation conducts periodic employee surveys, most recently in fiscal 1999/2000. A survey scheduled for fiscal 2001/02 was postponed due to Core Services Review.

BCLC completed Government's Core Services Review in the last quarter of the fiscal year. This major business review resulted in a restructuring of operations and a staffing reduction of about 80 full-time equivalents. The increase in employee turnover to 6.6% from 4.4% reflects the implementation of the Core Services Reviewstaffing reductions.

With the review complete, the Corporation is positioned to continue to grow, to be more customer-focused, competitive, effective and efficient, and to continue to be a healthy, progressive and fair organization for all employees.

TO BE AN EFFICIENT AND EFFECTIVE BUSINESS, MANAGING OUR RESOURCES WELL AND DELIVERING TANGIBLE RESULTS FOR BRITISH COLUMBIANS

Objectives

- Ensure enabling technologies and technical skills are in place to support revenue opportunities, innovation and operational effectiveness
- Perform strategic and core activities at or better than industry best practices
- Maximize operational effectiveness by re-engineering business processes or divesting non-core, non-strategic functions that can be done more effectively and efficiently elsewhere

Strategies

- Invest in gaming and business technology to ensure sufficient capacity and capability when required
- Implement a business improvement project to evaluate all business processes with the goal of improving existing processes and eliminating redundant or unnecessary processes

Performance Measures	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Reduce administrative costs as a percentage of sales	5.8%	5.7%	5.5% actual 6.0% target	5.0%	4.7%	4.7%
Implement business improvement opportunities identified in Core Services Review	n/a	n/a	identify opportunities and benchmarks	projects initiated	targeted for completion	continuous improvement
Online game system availability	99.90%	99.98%	99.87% actual 99.90% target	99.90%	99.90%	99.90%

BCLC's goal is to perform at or better than best practices within the industry and to measure performance in critical areas of operation.

In fiscal 2001/02, BCLC achieved an administrative cost ratio of 5.5%, the lowest ratio since the Corporation's start-up in 1985. The continuing improvement in cost effectiveness reflects savings achieved as part of Core Services Review and economies of scale realized through growth in business operations.

Projects identified through Core Services Review are scheduled to continue in fiscal 2002/03 with completion scheduled for fiscal 2003/04.

At 99.87% availability, the Corporation's online game system continued to operate at a very high level of reliability in fiscal 2001/02.

TO GENERATE GAMING REVENUE AND CONTINUE OUR CONTRIBUTIONS TO THE ECONOMIC DEVELOPMENT OF BRITISH COLUMBIA COMMUNITIES

Objectives

- Improve operating results through continued development and introduction of innovative new products and distribution channels that meet marketplace demand

Strategies

- Continued upgrading of all gaming sectors to ensure products are competitive with neighbouring jurisdictions and meet marketplace demands
- Invest in research to ensure e-business opportunities are identified and evaluated

Performance Measures	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Achieve revenue targets	$1.40 billion	$1.48 billion	$1.61 billion actual $1.54 billion target	$1.8 billion	$1.9 billion	$2.0 billion
Achieve income targets	$532.0 million	$562.0 million	$606.1 million actual $585.0 million target	$660.0 million	$715.0 million	$765.0 million

BCLC distributes net income to the Government of British Columbia, which returns this money to British Columbians through government programs. These include health care and education, general revenue, direct access grants to charities, revenue sharing with host local governments where casinos are located, and funding to support problem gambling programs.

In fiscal 2001/02, for the 27th consecutive year, BCLC achieved record sales and profits. Sales of $1.61 billion exceeded budget by $69.4 million and the previous fiscal year by $124.4 million. The relocation of existing community casinos to new facilities in Coquitlam and View Royal, continued network growth and product innovation from the lottery division, and the addition of commercial bingo into operations all contributed to the strong results. Net income of $606.1 million exceeded budget by $21.1 million and the previous fiscal year by $44.1 million.

The Corporation's projections from fiscal 2002/03 through to fiscal 2004/05 have been revised to reflect the addition of commercial bingo into operations and more current projections for the lottery and casino bingo units.

They might have had a favourite set of numbers or made a purchase on a whim, liked the anticipation of the draw or knowing in an instant, enjoyed making predictions or the atmosphere of a crowd. Whatever the reason, they chose to play. Lottery and bingo players collected a total of $575 million in prizes in fiscal 2001/02, including 21 prizes of $1 million or more.

Rossland couple Bill Postnikoff and Karen Hubert won the $500,000 top prize on Extra in 1994 and history repeated itself in 2001. Karen explained that Bill told her, "I hit the thing again." The couple planned to share with family and invest for retirement.

Doris McKay and her daughter, Donna Larsen, both of Chilliwack, took home a BC/49 $1 million grand prize only days before their ticket was set to expire. While searching for postage stamps in her wallet, Doris found the ticket tucked behind a photograph.

Two acquaintances each won a lottery jackpot one day apart, but neither knew about the other until they arrived on the same morning at BCLC's Kamloops office. Holly Marie Heppner of Trail claimed $500,011 on Lotto Super 7 Extra, while Jim Bradshaw of Warfield claimed $5.2 million on Lotto 6/49.

Whenever Comox resident Roger De Arburn bought a Set for Life ticket, he routinely said to his lottery retailer, "Set me for life." Over coffee together, his wife scratched three cash symbols. Roger immediately visited his retailer. He won the top prize and chose the lump sum payment of $675,000.

Helmer Gysler of Harrison Hot Springs travelled to Hull, Quebec, for the live television draw on Celebration 2002 and won $100,000. When the show and draw ended, Helmer called family and friends, including the friend who gave him the Celebration 2002 game as a Christmas gift.

A Fort St. John resident planned a long-awaited trip to Texas with an $85,000 windfall claimed on Lotto 6/49.

"I'm a really positive person," said Bob Oslund. "I always thought I was going to win."

A Surrey man who won $5 million on Lotto 6/49 planned to stay on the job.

Steve Serbic said he had won two other lotteries in life — his wife and his job as a City of Surrey firefighter.

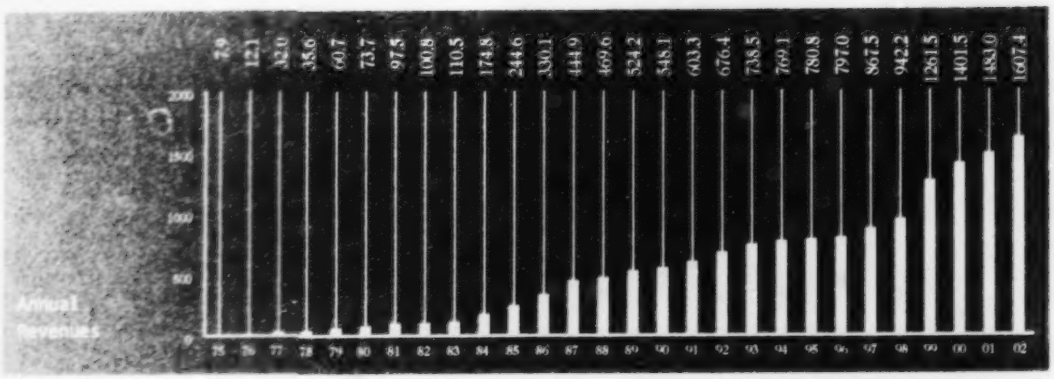
Playing the same eight numbers since 1991 paid off for Sidney Ho of Vancouver. He won just more than $1 million on Lotto 6/49 when his Combo 8 ticket matched five numbers and the Bonus number.

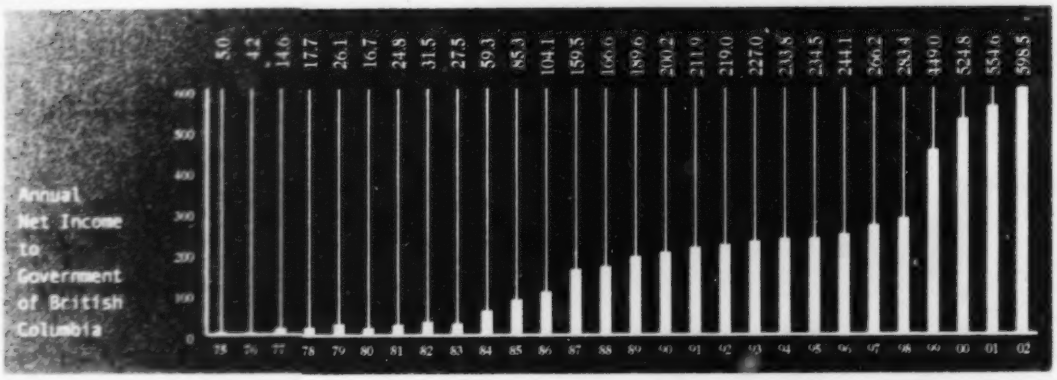
Brian Laliberte of Prince Rupert won the largest-ever bingo jackpot in British Columbia on the SuperStar Gold Bingo provincewide linked game. Everyone in the hall stood up and clapped when Brian called "bingo" for the progressive jackpot of $99,300.

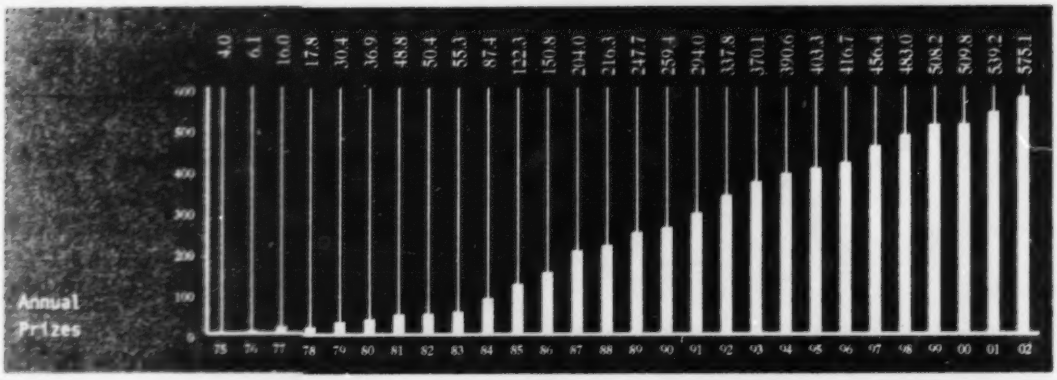
BCLC was a major sponsor of the second annual B.C. Bingo Championships held in September in Vancouver. Players used hand-held electronic bingo units for the chance to win cash and merchandise prizes.

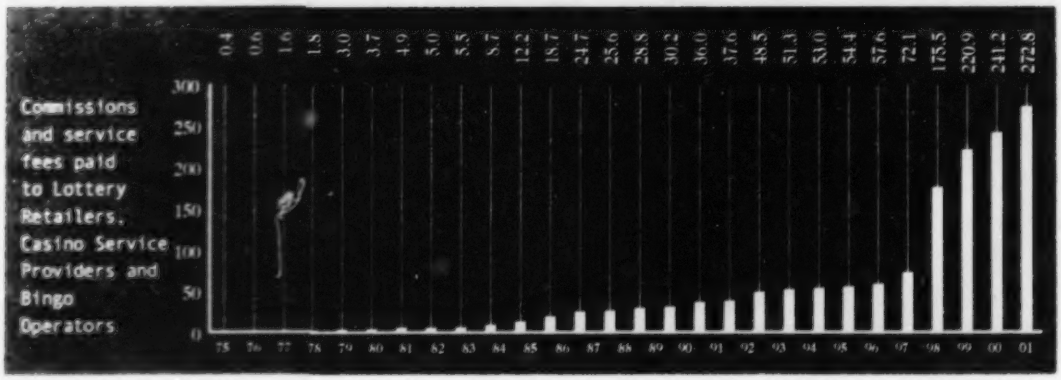
Grand prize of a trip to Miami to board a ship for the 13th Annual $200,000 Bingo Tournament and Gaming Cruise was won by Robbie McAffee of Nanaimo.

Sales and Profit History









AUDITORS' REPORT

To the Directors of
British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2002, and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act, (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

Kamloops, Canada
April 12, 2002

Consolidated Balance Sheet

March 31, 2002 — with comparative figures for 2001 — (in thousands of dollars)

	2002	2001
ASSETS		
Cash and short-term investments	$ 80,973	$ 80,880
Accounts receivable (note 3)	46,024	35,998
Prepaid expenses	5,663	5,261
Accrued pension plan asset (note 4)	5,162	4,642
Capital assets (note 5)	22,168	20,541
	$ 159,990	$ 147,322
LIABILITIES		
Prizes payable	$ 49,248	$ 55,486
Accounts payable and accrued liabilities	46,356	35,512
Accrued post retirement benefit obligation (note 4)	12,062	10,682
Payable to Interprovincial Lottery Corporation	2,250	1,865
Due to Government of British Columbia	50,074	43,777
	$ 159,990	$ 147,322

See accompanying notes to consolidated financial statements.

Approved:

T. Richard Turner
Director

Mary MacGregor
Director

Consolidated Statement of Income

Year ended March 31, 2002, with comparative figures for 2001 (in thousands of dollars)

	2002	2001
Revenues (note 6)	$ 1,607,418	$ 1,483,041
Direct expenses:		
Prizes	575,057	539,150
Retail commissions	272,848	241,220
Ticket printing and bingo paper	15,584	15,778
	863,489	796,148
Revenues less direct expenses	743,929	686,893
Operating expenses (note 14):		
Administrative expenses	88,144	84,351
Special operating costs (note 7)	7,000	–
Amortization	18,598	18,753
Less: Interest and other income	(5,241)	(4,846)
	108,501	98,258
Income from operations	635,428	588,635
GST expense	29,360	26,601
Net income	$ 606,068	$ 562,034
Allocation of net income:		
Government of British Columbia	$ 594,420	$ 550,956
Government of Canada (note 8)	7,567	7,427
Payments pursuant to ministerial direction (note 9)	4,081	3,651
	$ 606,068	$ 562,034

Segmented information (note 14)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Government of British Columbia

Year ended March 31, 2002 with comparative figures for 2001 *(in thousands of dollars)*

	2002	2001
Balance, beginning of year	$ 43,777	$ 68,651
Net income	606,068	562,034
	649,845	630,685
Payments to Government of British Columbia	592,204	579,481
Allocation of income to Government of Canada	7,567	7,427
	599,771	586,908
Due to Government of British Columbia	$ 50,074	$ 43,777

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2002 with comparative figures for 2001

	2002	2001
Operating:		
Net income	$ 606,068	$ 562,034
Adjustments for:		
Amortization of capital assets	18,598	18,753
	624,666	580,787
Changes in non-cash operating items	(4,577)	6,250
	620,089	587,037
Financing:		
Payments to Government of British Columbia	(592,204)	(579,481)
Allocation of income to Government of Canada	(7,567)	(7,427)
	(599,771)	(586,908)
Investing:		
Additions to capital assets	(20,225)	(13,422)
Increase (decrease) in cash	93	(13,293)
Cash, beginning of year	80,880	94,173
Cash, end of year	$ 80,973	$ 80,880

See accompanying notes to consolidated financial statements.

1. NATURE OF THE CORPORATION:

The British Columbia Lottery Corporation was incorporated under the Company Act of British Columbia on October 25, 1984, and is continued under the Lottery Corporation Act of British Columbia. The Corporation is an agent of the Crown.

The Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia and to co-operate in the conduct and management of national and regional lottery schemes with other Provinces of Canada.

The Corporation conducts and manages the following lottery schemes in British Columbia: KENO, SCRATCH & WIN, BREAKOPEN, BC/49, EXTRA, SPORTS ACTION, DAILY 3, CHASER, STARSHIP BINGO, SUPERSTAR BINGO, CARDMINDER BINGO, paper bingo games, and casino games, including slot machines and table games.

The Corporation is the regional marketing organization for the LOTTO 6/49, LOTTO SUPER 7, AND SPECIAL EVENT games in British Columbia. These games are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is incorporated under the Canada Business Corporations Act, and its shares are held by Her Majesty The Queen in right of the respective provinces.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of the British Columbia Lottery Corporation.

(b) Short-term investments

Short-term investments are valued at the lower of cost and market.

(c) Capital assets:

The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year and which will materially affect net income in the year purchased will be capitalized.

The Corporation's capital assets are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Building and leasehold improvements	5 years
Furniture and equipment	5 years
Computer equipment	3 years
On-line gaming terminals	3 years
Breakopen vending machines	3 years
Signs and fixtures: Computer	3 years
Non-computer	5 years
Bingo equipment	3 years
Casino equipment	3 years

Amortization is pro-rated in the year the assets are put in use.

(d) Employee future benefits:

The Corporation has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service, and the lesser of the average of the highest 60 consecutive months earnings of employment and the average of the Year's Maximum Pensionable Earnings over the same period. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(d) Employee future benefits (continued):

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the Pension Benefits Standards Act. A funding excess may be applied immediately to reduce required employer current service contributions; however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(e) Revenue recognition:

LOTTERY GAMES:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

BINGO GAMES:

Revenue from the operation of paper, electronic, and linked Bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played.

CASINOS:

Revenues from casino slot machines and table games are recorded in the statement of income, net of prizes paid. Related operating costs are recorded in the statement of income in the period they are incurred.

(f) Prize expenses:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out through bonus draws, promotions and retailer incentives.

(g) Software development costs:

Software development costs are expensed in the period in which they are incurred.

(h) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(i) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

3. ACCOUNTS RECEIVABLE:

	2002	2001
Retail	$ 43,303	$ 32,355
Other	2,721	3,643
	$ 46,024	$ 35,998

4. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan and a post-retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plan		Post-Retirement Benefit Plans	
	2002	2001	2002	2001
Accrued benefit obligation				
Balance at beginning of year	$ 30,507	$ 28,825	$ 9,551	$ 9,488
Current service cost	1,554	1,773	766	702
Interest cost	2,373	2,094	770	598
Employee contributions	1,306	1,232	–	–
Benefits paid	(795)	(554)	(148)	(106)
Actuarial loss (gain)	(44)	(2,863)	2,052	(1,131)
Balance at end of year	34,901	30,507	12,991	9,551
Plan assets				
Fair value at beginning of year	35,355	33,467	–	–
Annual return on plan assets	1,370	(459)	–	–
Employer contributions	1,881	1,669	148	106
Employee contributions	1,306	1,232	–	–
Benefits paid	(795)	(554)	(148)	(106)
Balance at end of year	39,117	35,355	–	–
Funded status – surplus (deficit)	4,216	4,848	(12,991)	(9,551)
Unamortized net actuarial loss (gain)	946	(206)	929	(1,131)
Accrued benefit asset (liability)	$ 5,162	$ 4,642	$ (12,062)	$ (10,682)

4. EMPLOYEE FUTURE BENEFITS (CONTINUED):

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	Pension Plan		Post Retirement Benefit Plans	
	2002		2002	
At beginning of period:				
Discount rate	7.5%	7.0%	7.5%	7.0%
Expected rate of return on plan assets	7.0%	7.0%	–	–
Rate of compensation increase	5.0%	5.0%	–	–
Health care cost trend rate:				
First year	–	–	5.68%	5.68%
Ultimate	–	–	4.10%	4.10%
Year ultimate reached	–	–	2005	2005
At end of period:				
Discount rate	7.5%	7.5%	7.5%	7.5%
Rate of compensation increase	5.0%	5.0%	–	–

The Corporation's net benefit plan expense is as follows:

	Pension Plan		Post Retirement Benefit Plans	
	2002		2002	
Current service cost, net of employees' contributions (including provision for plan expenses)	$ 1,554	$ 1,773	$ 766	$ 702
Interest cost	2,373	2,094	770	598
Expected return on plan assets	(2,566)	(2,425)	–	–
Amortization of net actuarial gain	–	–	(8)	–
Net benefit plan expense	$ 1,361	$ 1,442	$ 1,528	$ 1,300

5. CAPITAL ASSETS:

			2002	
	Cost	Accumulated amortization	Net	Net
Land	$ 700	$ –	$ 700	$ 700
Building and leasehold improvements	29,194	25,587	3,607	4,334
Furniture and equipment	4,744	3,805	939	638
Central system computer	24,481	23,123	1,358	549
Online gaming terminals	37,840	36,150	1,690	934
Breakopen vending machines	7,881	7,311	570	694
Signs and fixtures	7,058	5,129	1,929	1,059
Bingo equipment	18,069	14,906	3,163	1,425
Casino equipment	42,748	34,536	8,212	10,208
	$ 172,715	$ 150,547	$ 22,168	$ 20,541

6. REVENUES:

	2002	2001
Lottery:		
KENO	$ 222,849	$ 204,009
SCRATCH & WIN	199,311	191,478
LOTTO 6/49	194,941	204,692
BREAKOPEN	113,047	108,193
BC/49	70,781	72,492
EXTRA	64,891	66,065
LOTTO SUPER 7	61,275	58,690
SPORTS ACTION	25,862	22,299
DAILY 3	4,459	4,304
SPECIAL EVENT	2,851	3,168
CHASER	2,428	1,598
	962,695	936,988
Bingo:		
STARSHIP BINGO	40,176	30,220
Bingo paper retail	27,195	-
SUPERSTAR BINGO	14,237	15,099
CARDMINDER BINGO	8,874	5,697
Bingo paper distribution	1,855	2,759
	92,337	53,775
Casino – net win:		
Slot machines	311,739	268,898
Table games	240,647	223,380
	552,386	492,278
Total revenues	$1,607,418	$ 1,483,041

7. SPECIAL OPERATING COSTS:

Special operating costs relate to the estimated restructuring costs associated with the Corporation's Core Services Review. Included in the costs are employee severance and early retirement costs and other costs related to the restructuring of the business.

8. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (I.L.C.) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to I.L.C. Payments under this agreement are estimated to be $7,600 for the next fiscal year ending March 31, 2003.

9. PAYMENTS PURSUANT TO MINISTERIAL DIRECTION:

Pursuant to Section 22 of the Financial Administration Act, the Corporation has been directed to pay for the Problem Gambling Program costs administered by the Ministry of Health Planning and the costs of the Gaming Policy Secretariat.

10. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation (I.L.C.) prize and ticket printing costs for national games is recognized in the appropriate category of direct expenses. The Corporation's share of the I.L.C.'s interest income less operating expenses is included in interest and other income.

11. LEASE OBLIGATIONS:

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2003	$ 1,227
2004	1,053
2005	982
2006	770
2007	549

12. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

The carrying value of accounts receivable, prizes payable, accounts payable and accrued liabilities and payable to the Interprovincial Lottery Corporation are recorded at cost which approximates fair value.

13. COMPARATIVE FIGURES:

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

14. SEGMENTED INFORMATION:

Sector of activity	Lotteries	Casinos	Bingos	Consolidated
Revenues	$ 962,695	$ 552,386	$ 92,337	$1,607,418
Direct expenses:				
Prizes	521,848	–	53,209	575,057
Retailer commissions	65,424	193,076	14,348	272,848
Ticket printing and bingo paper	13,454	–	2,130	15,584
	600,726	193,076	69,687	863,489
Revenue less direct expenses	361,969	359,310	22,650	743,929
Operating expenses:				
Administrative expenses	55,406	26,793	5,945	88,144
Special operating costs	2,989	3,746	265	7,000
Amortization	3,536	13,153	1,909	18,598
Less: Interest and other income	(5,712)	290	181	(5,241)
	56,219	43,982	8,300	108,501
Income from operations	305,750	315,328	14,350	635,428
GST expense	11,921	15,854	1,585	29,360
Net income	$ 293,829	$ 299,474	$ 12,765	$ 606,068

14. SEGMENTED INFORMATION (CONTINUED):

Sector of activity	Lotteries	Casinos	Bingos	Consolidated
Revenues	$ 936,988	$ 492,278	$ 53,775	$ 1,483,041
Direct expenses:				
Prizes	509,712	–	29,438	539,150
Retailer commissions	63,657	170,275	7,288	241,220
Ticket printing and bingo paper	13,471	–	2,307	15,778
	586,840	170,275	39,033	796,148
Revenue less direct expenses	350,148	322,003	14,742	686,893
Operating expenses:				
Administrative expenses	55,255	24,654	4,442	84,351
Amortization	3,628	10,909	4,216	18,753
Less: Interest and other income	(5,816)	795	175	(4,846)
	53,067	36,358	8,833	98,258
Income from operations	297,081	285,645	5,909	588,635
GST expense	11,693	13,887	1,021	26,601
Net income	$ 285,388	$ 271,758	$ 4,888	$ 562,034